

11 July 1984

MEMORANDUM FOR THE RECORD

SUBJECT: Premium Tax

On 9 July I spoke with both Shirley Harris and Dick Thomas of Office of Personnel Management regarding premium tax. Shirley is the actuary responsible for the Association Benefit Plan and Dick is the auditor, who works with Mutual underwritten plans. Dick confirmed it was a state tax, with most states participating. He did not know if individuals assigned overseas were exempt or if Maryland, Virginia and D.C. all had the tax. Blue Cross and Blue Shield is listed in some states as a service corp and not an insurance corp, so does not pay the tax there. As another way of avoiding the premium tax, Prudential and Postmasters use a minimum premium arrangement, whereby premium tax is only payable on the amounts transferred to Prudential.

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Chief, Insurance Branch